

## **The complaint**

Mr C and Miss S complain about the unsecured loan linked to their former mortgage. They don't believe the outstanding balance is correct and want their lender, TSB Bank plc trading as Whistletree, to waive the remaining amount because they believe they've already paid enough to repay what they borrowed.

## **What happened**

In 2006 Mr C and a third party took out a mortgage with the Northern Rock bank. It was a "Together" mortgage – meaning that included both a standard mortgage and a linked unsecured loan. The unsecured loan allowed Mr C and the other party to borrow more than their property's purchase price in total. It would be repaid at the same interest rate over the same term as the main mortgage (subject, as I say below, to the main mortgage not being paid off in the meantime). Since the mortgage was taken out the other party has been removed from it and replaced with Miss S.

In 2018 Mr C and Miss S sold their property, repaying the mortgage which had since been transferred to Whistletree. However, they didn't pay off the unsecured loan element and continued to make payments to that loan.

In 2023 Mr C and Miss S noticed that they still had a substantial outstanding balance on the unsecured loan and a substantial loan term left. They said the original unsecured loan was £10,000 so they didn't believe it could be correct that so many years later the balance was still £7,000 with almost nine years left to pay – with them still having to pay around £15,000 over the remaining term.

Mr C and Miss S therefore complained. Whistletree didn't uphold their complaint. It said the initial borrowing was £19,000 not £10,000. It said the loan term was 35 years in line with the main mortgage. However, the term had reduced in 2013 when the previous lender had refunded some overcharged interest, and so the loan was now due to be paid off in 2031. It said that the balance and outstanding term was correct.

Our investigator didn't think Whistletree had acted unfairly, so Mr C and Miss S asked for an ombudsman to review their complaint.

## **What I've decided – and why**

I've considered all the available evidence and arguments to decide what's fair and reasonable in the circumstances of this complaint.

I've noted some confusion about the original balance. Mr C and Miss S say that their mortgage was for £90,000 and the unsecured loan was £10,000, whereas Whistletree says the mortgage was £81,000 and the loan was £19,000.

Having looked at the original loan documentation Mr C has given us, I'm satisfied Whistletree is correct. The original balance of this loan was £19,000.

Mr C may have misunderstood that because the purchase price of the property was £90,000 and he borrowed £100,000 in total. But that doesn't mean that 100% of the purchase price was on the mortgage with only the extra amount above the purchase price on the loan.

In fact, what happened was that the mortgage was for 90% of the purchase price – £81,000 – leaving £19,000 as the borrowing on the unsecured loan. This is why it was described as a “90% LTV product” – because the mortgage element was for 90% of the property's value.

Mr C says he only received £10,000 at the time. But that seems to be because the other £9,000 was used to pay for the property – bought for £90,000 using £81,000 from the mortgage and £9,000 from the loan, leaving £10,000 to be paid to Mr C. The extra £9,000 was used to pay the seller, it wasn't retained by Northern Rock, and it's part of the money Mr C borrowed and owes.

For the rest of the time Mr C and now Miss S had the mortgage, the loan was repaid at the same interest rate as the main mortgage. However, the loan terms and conditions said that if ever the mortgage was repaid without the loan being repaid at the same time, and so the loan was “de-linked” from the mortgage, the interest rate would increase by 5%. This happened when Mr C and Miss S sold their property in 2018.

Prior to that the term of the loan only (not the mortgage) had been reduced. This happened in 2013, when the previous lender refunded interest that had been overcharged. That reduced the loan balance, meaning that it would be paid off quicker. Keeping the then monthly payments the same that meant the term reduced, now ending in 2031 rather than in 2041.

In 2018, when the main mortgage was paid off and the interest rate on the loan therefore increased by 5% in line with the terms and conditions, the monthly payments were also increased. This was to make sure that Mr C and Miss S would still pay the loan off over the same term, ending in 2031, even though they were now being charged more interest.

With all that in mind, I'm satisfied that the amount Whistletree says is outstanding, and is asking Mr C and Miss S to repay, is correct. While the total amount they'll pay is more than the estimate included in the original loan offer, that was an estimate based on the interest rate at the time. The interest rate has changed several times since 2006 and there was a balance reduction in 2013. So that estimate of the total cost of the loan over the term is no longer correct – but it's the estimate that's now incorrect, not what Mr C and Miss S are being asked to repay.

More recently the interest rate has increased again, but that's because the Bank of England base rate, and so Whistletree's standard mortgage rate, has increased. The interest charged to Mr C and Miss S remains 5% above the standard mortgage rate, having increased in line with changes to the standard mortgage rate.

I'm satisfied that the loan has operated in line with the terms and conditions. I appreciate that the sale price of their property in 2018 didn't leave Mr C and Miss S enough capital left over after repaying the mortgage to repay this loan too. But there's nothing to stop Mr C and Miss S repaying it now or any time in the future before the term ends – there's no early repayment charge to pay for example. Paying it off sooner, or replacing it with another loan at a lower interest rate, would reduce the overall amount Mr C and Miss S have to pay. With that in mind Mr C and Miss S might want to explore their options to see if alternative finance, over a shorter term or at a lower interest rate, might be available. If that's not possible and they're struggling with the repayments now the interest rate has increased they should contact Whistletree for support. But I don't think Whistletree has treated them unfairly in all the circumstances of this complaint.

**My final decision**

My final decision is that I don't uphold this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr C and Miss S to accept or reject my decision before 22 August 2024.

Simon Pugh  
**Ombudsman**